

STAND. COM. REP. NO.

2448

Honolulu, Hawaii

FEB 14 2014

RE: S.B. No. 2933

S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committee on Energy and Environment, to which was referred S.B. No. 2933 entitled:

"A BILL FOR AN ACT RELATING TO ENERGY STORAGE,"

begs leave to report as follows:

The purpose and intent of this measure is to establish an energy storage tax credit for utility scale renewable energy storage property.

Your Committee received testimony in support of this measure from the Renewable Energy Action Coalition of Hawaii, Ulupono Initiative, Blue Planet Foundation, Hawaii Renewable Energy Alliance, Princeton Energy Group, Molokai Ranch, Semptra USGP, Royal Contracting Company, Solar Power Systems International, and fifteen individuals. Your Committee received comments on this measure from the Department of Budget and Finance; Department of the Attorney General; Department of Taxation; Department of Business, Economic Development, and Tourism; Tax Foundation of Hawaii; Hawaiian Electric Company; and one individual.

Your Committee finds that energy storage is a key component of a modern, smart electrical grid and can help to maximize the use of indigenous renewable energy. Hawaii has successfully utilized a renewable energy tax credit to foster a sustainable local renewable energy industry responsible for creating jobs, catalyzing statewide energy savings, improving our environment, and reducing greenhouse gas emissions.



Your Committee expressed concerns about the environmental impacts of this measure, specifically relating to the disposal of energy storage batteries. Your Committee finds that this issue raises concerns that merit further consideration.

Your Committee has amended this measure by:

- (1) Changing references from "utility scale renewable energy storage property" to "utility scale energy storage property";
- (2) Clarifying that an energy storage tax credit can be claimed for each utility scale energy storage property:
 - (A) That is used primarily to store electricity;
 - (B) For which the taxpayer enters into an agreement with an electric utility after June 30, 2014, and on or before December 31, 2020; and
 - (C) That is installed and first placed in service by a taxpayer during a taxable year after December 31, 2014, and on or before December 31, 2024;
- (3) Deleting language that established limits for megawatt-hour of energy storage capacity;
- (4) Deleting language that would have allowed the tax credit to be claimed as a utilization credit;
- (5) Inserting language to require a taxpayer to obtain certification from the Department of Business, Economic Development, and Tourism that verifies that the taxpayer has control of the site of the proposed project;
- (6) Inserting language to require the Department of Business, Economic Development, and Tourism to cease certifying tax credits for the year when the aggregate tax credit certifications for the year reaches \$20,000,000; provided that the queue of remaining projects awaiting certification shall carry over to the following year;
- (7) Inserting language to require a taxpayer, within twelve months of receiving certification for a project, to



provide the Department of Business, Economic Development, and Tourism with evidence that the taxpayer has invested into the project an amount equal to at least five percent of the amount of the taxpayer's projected cumulative tax credits; provided that the Department shall rescind the certification of a taxpayer for noncompliance;

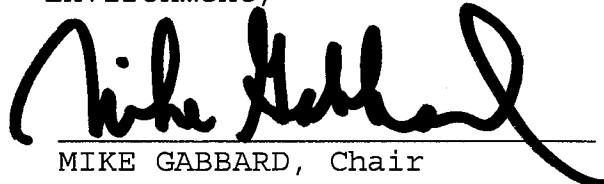
- (8) Inserting language to require the Department of Business, Economic Development, and Tourism to notify the Department of Taxation of all certifications and rescissions of certifications pursuant to this measure;
- (9) Deleting language relating to eligibility of association owners under chapter 421I, 421J, 514A, or 514B, Hawaii Revised Statutes, to claim the tax credit pursuant to this measure;
- (10) Clarifying that no public sector agency shall qualify for the tax credit pursuant to this measure;
- (11) Clarifying that the joint report by the Department of Taxation, in collaboration with the Department of Business, Economic Development, and Tourism, include only the following estimated economic benefits attributable to the tax credit:
 - (A) Jobs created in the energy storage field;
 - (B) Jobs created in the renewable energy generation field;
 - (C) General excise and income tax revenue generated; and
 - (D) Monetization of the benefits of increased grid stability;
- (12) Amending the definition of "basis" to not exclude costs for energy storage equipment required by an electric utility for interconnection of a renewable energy generation facility;
- (13) Inserting a definition for "certification";



- (14) Deleting the definition for "electricity generated from renewable sources";
- (15) Amending the definition of "energy storage capacity" to include the amount of electricity measured in megawatts;
- (16) Inserting language to require that utility scale energy storage property shall have an energy storage capacity of at least one megawatt of power or one megawatt-hour of energy storage;
- (17) Inserting an effective date of July, 1, 2014;
- (18) Clarifying that the tax credits shall apply to taxable years beginning after December 31, 2014; and
- (19) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Energy and Environment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2933, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2933, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Energy and
Environment,



MIKE GABBARD, Chair



The Senate
Twenty-Seventh Legislature
State of Hawai'i

Record of Votes
Committee on Energy and Environment
ENE

Bill / Resolution No.:* <div style="font-size: 1.2em; font-family: cursive;">SB 2933</div>	Committee Referral: <div style="font-size: 1.2em; font-family: cursive;">ENE, WAM</div>	Date: <div style="font-size: 1.2em; font-family: cursive;">2/13/14</div>		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"> <input type="checkbox"/> Pass, unamended 2312 </div> <div style="text-align: center;"> <input checked="" type="checkbox"/> Pass, with amendments 2311 </div> <div style="text-align: center;"> <input type="checkbox"/> Hold 2310 </div> <div style="text-align: center;"> <input type="checkbox"/> Recommit 2313 </div> </div>				
Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	<input checked="" type="checkbox"/>			
RUDERMAN, Russell E. (VC)	<input checked="" type="checkbox"/>			
CHUN OAKLAND, Suzanne	<input checked="" type="checkbox"/>			
IHARA, Jr., Les	<input checked="" type="checkbox"/>			
SLOM, Sam				<input checked="" type="checkbox"/>
TOTAL	<div style="font-size: 1.5em; font-family: cursive;">4</div>			<div style="font-size: 1.5em; font-family: cursive;">1</div>
Recommendation: <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted </div>				
Chair's or Designee's Signature: <div style="font-size: 1.5em; font-family: cursive; margin-top: 10px;"> </div>				
<div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"> Distribution: Original File with Committee Report </div> <div style="text-align: center;"> Yellow Clerk's Office </div> <div style="text-align: center;"> Pink Drafting Agency </div> <div style="text-align: center;"> Goldenrod Committee File Copy </div> </div>				

*Only one measure per Record of Votes